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FM AMEMBASSY TEGUCIGALPA
TO RUEHME/AMEMBASSY MEXICO PRIORITY 6136
RUEHC/SECSTATE WASHDC PRIORITY 1115
INFO RUEHZA/WHA CENTRAL AMERICAN COLLECTIVE PRIORITY
RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
RUEBAAA/DEPT OF ENERGY WASHDC PRIORITY
RUEHLMC/MILLENNIUM CHALLENGE CORP PRIORITY 0341
RUMIAAA/CDR USSOUTHCOM MIAMI FL PRIORITY
RUEAHND/CDRJTFB SOTO CANO HO PRIORITY
RHEFDIA/DIA WASHINGTON DC PRIORITY

C O N F I D E N T I A L TEGUCIGALPA 000326

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STATE FOR EB/IFD, WHA/EPSC, INR/IAA, EB/ESC, AND WHA/CEN
TREASURY FOR DDOUGLASS
STATE PASS AID FOR LAC/CAM

E.O. 12958: DECL: 02/21/2016

TAGS: [ASEC](#) [CASC](#) [ECON](#) [EFIN](#) [ELAB](#) [ENRG](#) [EPET](#) [HO](#) [PGOV](#)

SUBJECT: HONDURAS CONTINUES TO SUPPORT MEXICAN ENERGY PLAN;
MANEUVERS TO ATTRACT PROPOSED REFINERY

REF: A. MEXICO 00620

[1](#)B. TEGUCIGALPA 02529

[1](#)C. SECSTATE 12416

Classified By: EconChief PDunn for reasons 1.5 (B and D)

[1](#)1. (SBU) SUMMARY: Vice President Elvin Santos reiterated Honduras, strong support for the proposed Mexican fuel initiative, echoing the GOH,s positive comments to A/S Wayne in January. Meanwhile former minister of Trade and Commerce Irving Guerrero has initiated talks with an American company over locating a possible refinery in Honduras. An International Development Bank study to identify the best location for a Central American refinery is due in May. END SUMMARY.

[1](#)2. (U) The proposed Mexican Energy Initiative (ref a) continues to be of high interest to GOH officials. When the plan was first unveiled by Mexican President Vicente Fox at the Summit of the Americas at Mar del Plata in October 2005, the GOH administration of former President Ricardo Maduro reacted positively to the plan (ref b). The current administration of Manuel "Mel" Zelaya Rosales showed continued interest in early meetings with A/S Wayne in January (ref c).

[1](#)3. (C) Since the Zelaya administration took office on January 27, Vice President Elvin Santos has continued to cite the Mexican initiative as a key part of Honduras, energy plan for the future. Santos was named the head of a Commission to investigate options to lower fuel prices even before the change of administration. The planned refinery holds the most interest for the GOH, due to the potential to exercise more control over the production and distribution of fuel as well as the potential for job creation if the refinery is located in Honduras.

[1](#)4. (C) Ex-Minister of Commerce and Industry Irving Guerrero has stayed involved in the issue. In separate meetings with Ambassador, EconOff, and EconChief, Guerrero indicated that he had been in talks with American oil company Occidental Petroleum (Oxy). Per Guerrero, Oxy had been in talks with the Government of Panama about building a refinery there before Guerrero approached them to consider Honduras. Embassy Panama has confirmed that Oxy signed an MOU with the

GOP regarding a refinery in 2005.

¶5. (C) Guerrero indicated that his talks with Oxy, while in an early stage, were showing promise. He was convinced that once Oxy understood that Panama has not harmonized their gasoline standards with the rest of Central America (as Honduras has done), they will realize that the project's economics are much better in Honduras. In addition, if rampant smuggling and corruption are to be avoided in the region, there must be reasonable tax and tariff harmonization for gasoline, which Guerrero believed the GOP is politically unwilling to take on. Finally, he reiterated his oft stated conviction that Honduras, position in the center of Central America, with port development opportunities on both coasts, is unparalleled in the region.

¶6. (C) Guerrero's next steps will be to exchange documents with Oxy that may include a draft MOU. With documents in hand, Guerrero indicated he would ask for a meeting with Ambassador to discuss the matter. Interestingly, he stated that he would bring along a high-level Liberal Party & friend⁸ that was also very interested in the deal. (Comment: Post suspects that this person may be Vice President Santos). Guerrero apparently wants to build support for the Oxy deal in Honduras before the planned release (in May) of an International Development Bank study identifying the best location for a Central American Refinery.
Ford